

Iowa Department of General Services
Impact Statement
 February 20, 2001

Unbudgeted Increased Costs Absorbed in FY '01 – to date:

Since the beginning of the current fiscal year, the Department of General Services has been required to absorb significant unbudgeted, non-discretionary, uncontrollable cost increases including approximately:

- \$220,000 in unexpected, increased utilities costs
 Unsure if total impact of utilities can be absorbed
 Represents 27% increase in heating degree days and
 198% increase in the natural gas rate from the prior year
- \$135,000 in mandated, unfunded, increased health insurance costs
- \$37,900 in snow removal cost -Gas, salt, melting agents, and employee overtime
- \$30,000 in mandated, unfunded salary range increases

Other Significant Factors:

- ✓ Department salaries represent 82% of the Department's overall budget.
- ✓ Department is in the 3rd quarter of the fiscal year; any deappropriation will result in employee layoffs and service elimination. (Most layoffs require a 60 day notice and vacation and sick leave payout.)
- ✓ In December 2000, the Department implemented a discretionary spending freeze with stringent guidelines that must be applied prior to any discretionary spending. (See attached.)
- ✓ FY '01 budget is "flat" and are still requested to reduce budgets with no reductions in statutory requirements or customer expectations.
- ✓ Department has also undertaken, significant, additional responsibilities within its existing resources:
 - Iowa Excellence Assessment (encompassing the entire Department)
 - Enterprise Resource Planning (including e-procurement)
 - Implementation of the Governor's Task Force on Targeted Small Businesses.
- ✓ In FY'00, \$332,000 was deappropriated from the Department's budget. In FY'01 Department has already been required to absorb more than what was deappropriated in FY'00.

Bottom Line:

If funding is deappropriated by 5% (approximately \$521,000), taken in the 4th quarter:

- ✓ Essential services will be eliminated.
- ✓ State employees will lose their jobs (66 FTEs).
- ✓ Other departments within state government will be required to provide these essential services themselves, putting an additional strain on their resources.

(DGS Discretionary Spending Freeze – Implemented on 12/20/2000)

DGS – ANALYSIS OF FINANCIAL POSITION
FISCAL YEAR 2001
DECEMBER 20, 2000

After closely monitoring the Department's financial position year to date for FY 2001, we believe we will not stay within our FY 2001 spending authorization, given our continued, current rate of spending. While we are on target with salary expenditures (which represents the majority of our budget), our support expenditures are not where they ought to be at this point during the fiscal year. Therefore:

Effective immediately for all divisions, all discretionary spending is frozen.

Definitions:

Discretionary Expenditure -- is any expenditure that represents a conscious decision to purchase goods or services, that could be postponed, or an alternative solution found that does not involve an outlay of cash.

Emergency Expenditure -- is any expenditure deemed necessary to protect the health, life and safety of state employees, visitors, and the work environment.

Examples of "discretionary expenditures" that are frozen are listed below; this by no means represents a complete listing:

- **Training** - including registration, travel and all other associated costs.
- **In-state travel** – business travel should be incurred in the most cost efficient manner.
- **Out-of-state travel** - business travel should be incurred in the most cost efficient manner.
- **Office Supplies** – use supplies on hand.
- **Operating supplies and tools** – use supplies that are on hand.
- **Discretionary printing** - determine most cost effective communication tool for emergencies.
- **Outside Services/Outside Repairs and Services**-determine what can be performed in-house.
- **Equipment purchases** - includes technology purchases.
- **New subscriptions, advertising and publications** - consider canceling publications.
- **New professional fees, licenses and memberships** - consider canceling memberships.
- **Temporary help** - consider redistributing workload with current staff.
- **New pagers, cellular phones and radios.** – eliminate duplicative means of communication.
- **Discretionary overtime** - if emergency, consider comp time.
- **Discretionary services** requested from "Other State Agencies" that are not reimbursed by requesting agency – Determine services that can be postponed, eliminated or alternatives solution found.
- **Vehicles.** Determine most efficient and cost effective manner. Eliminate assigned vehicles and return vehicles to the Vehicle Dispatcher for disposal.

**DEPARTMENT OF GENERAL SERVICES
STATUTORY SERVICES**

MAINTENANCE OF CAPITOL COMPLEX 18.3(4); 18.12(2); 18.12(18)

PURCHASING 18.3(1); 18.6

FLEET 18.3(2); 18.114 18.121

PRINTING 18.3(3); 18.26 – 18.103

MAIL 18.3(5); 18.8

COORDINATION OF SPECIAL EVENTS 18.10 18.12(1)

PARKING & BUILDING ACCESS 18.11

FEDERAL SURPLUS PROPERTY 18.15

CAPITAL MANAGEMENT 18.6; 18.12(7) and (10); Ch.573

RECYCLED PRODUCT USAGE 18.3(8) 18.18; 18.19; 18.22

CAPITOL COMPLEX RECYCLING 18.19; 18.20

VEHICLE RISK MANAGEMENT 18.3(9) 18.3(11)

LEASING 18.12.9

SPACE PLANNING AND MANAGEMENT 18.12(10); 18.12(15)

ACCOUNTING SERVICES 18.(6); 18.9; 18.12(4); 18.12(6); 18.12(4)

FIDELITY BOND 18.12(16)

CAPITOL PLANNING COMMISSION Ch.18A

Department of General Services
Richard J. Haines, Director
Impact Statement
Comments Before Administration-Regulation Sub-Committee
February 20, 2001

I have received your request to locate areas in our budget that could be deappropriated for a 5% reduction from the total FY 2001 General Fund Budget.

For us, this would amount to \$521,019 if spread over the fiscal year. However, given that we are in the third quarter now, we would have to come up with the full \$521,019 in the fourth quarter.

We are a small agency - only 234 employees, of which 165 are funded from the General Fund. Our statutory mission is to deliver important support services to state government and the public - services such as custodial, snow removal, building and grounds maintenance (including all the mechanical systems), mail processing and delivery - to name a few.

There are already other significant factors (*exhibit 1*) that are severely stressing our current budget. As you will recall, our budget for FY '01 was flat from the previous year. We knew we'd have to absorb mandated, unfunded health insurance and salary range increases in FY '01, but did not know the full extent of these costs until after the fiscal year began. In order to absorb these unfunded increases, we, by the end of the 2nd quarter, had implemented a discretionary spending freeze that will remain in effect through the end of the year (*exhibit 2*). In addition, with unexpected utility and snow removal expenses, we've already incurred a total of \$422,900 of unfunded cost increases.

Even with these stringent controls in place, we're going to be extremely hard-pressed to make it to the end of the year. In fact, in utilities and snow removal, projections indicate that we may be over-budget, but we won't know for sure until we're well into late spring or early summer.

In your packet we've also provided you with our major statutory responsibilities (*exhibit 3*). We're looking for your guidance to tell us what statutory services you feel are no longer needed.

Since 82% of our budget is salary, the only way to accomplish a 5% deappropriation is to eliminate services and lay off the employees who deliver those services. At this late date, we will be required to lay off approximately 66 out of 165 employees (or 40% of our General Fund workforce) to achieve a 5% deappropriation taken in the 4th quarter.

On January 23, I came before you and briefly outlined the types of services provided by General Services. Two examples are:

1. 52 employees who perform custodial services. We have benchmarked our cost of providing services against the private sector, and you will find that we perform these services in the most cost-effective manner possible. In fact, if we no longer performed these services, on an annual basis, the Capitol Complex would incur almost \$300,000 more in costs to perform the same custodial services.
2. We have 18 employees who process, pick up, and deliver mail on the Complex and throughout Des Moines daily.
 - o On an annual basis, these employees process and mail over 2 million checks and forms for the Dept of Human Services, including child support checks, food stamps, ADC (Aid to Dependent Children) and Medicaid payments, and;
 - o These same employees process and mail over 3.8 million checks to vendors and 900,000 tax refunds to Iowans on behalf of the Department of Revenue and Finance;
 - o In addition to the mail generated by all other agencies, the mail units process and mail monthly IPERS checks to retired state employees.

If we don't perform these duties, then Local mail processing and delivery will be completely eliminated, and all agencies and branches of government will be forced to establish their own mail processing units or outsource the function at a higher cost than they are currently paying.

These are just 2 examples of our statutory support services, but the point is that services performed by this department are not "throw-away" services. They're essential to support the basic functioning of state government. Even if WE don't do them, they still need to be performed; and the cost will still be incurred by the user.

I've just completed my 3rd year in state government. Each of those years, we've been asked to cut budgets without any corresponding reductions in work to be done. My people have done that year after year, but we can no longer absorb unfunded cost increases and budget reductions and still meet our statutory obligations. To achieve any deappropriation, services must be eliminated and employees providing those services will be laid off.